

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 IO-13 ISO-00 INT-05

L-03 GSA-01 COME-00 OIC-02 TRSE-00 OMB-01 CIAE-00

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TO SECSTATE WASHDC IMMEDIATE 531

INFO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY BANGKOK PRIORITY

AMEMBASSY CANBERRA PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY KINSHASA PRIORITY

AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY LAGOS PRIORITY

USMISSION USUN NEW YORK PRIORITY

C O N F I D E N T I A L LA PAZ 3308

E.O. 11652: GDS

TAGS: EMIN, ETRD, BL

SUBJECT: BOLIVIAN INTENTIONS TOWARD 5TH INTERNATIONAL TIN
AGREEMENT

REF: (A) STATE 101820; (B) LONDON 6372; (C) LA PAZ 3269

1. I MET WITH GOB MINISTER OF MINES ZELAYA ON APRIL 29
TO DISCUSS FURTHER THE REASONS FOR BOLIVIA'S POSITION ON THE
FIFTH INTERNATIONAL TIN AGREEMENT (ITA). I MADE CLEAR TO THE
MINISTER THAT I WAS ONLY SEEKING INFORMATION IN VIEW OF THE
IMPORTANCE OF THE U.S.'S OWN DECISION TO ENTER THE AGREEMENT AND
THAT WE HAD NOT TAKEN A POSITION WITH REGARD TO BOLIVIA'S
DECISION.

2. THE MINISTER SAID AT THE OUTSET THAT BOLIVIA'S POSITION HAD
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NOTHING TO DO WHATSOEVER WITH U.S. ENTRY INTO THE ITA DESPITE

SOME LOCAL PRESS REPORTS TO THE CONTRARY (LATER IN THE CONVERSATION THE MINISTER OF PLANNING LECHIN CALLED ZELAYA AND ASKED HIM TO EMPHASIZE THIS TO ME).

3. ZELAYA EMPHASIZED THREE BASIC REASONS FOR BOLIVIA'S POSITION:

(A) BUFFER STOCK LEVELS UNDER THE 5TH INTA. HE SAID THAT BUFFER STOCKS WOULD HAVE TO START OUT AT 7,500 METRIC TONS AND THIS WOULD REQUIRE SALES OF ABOUT 11,000 MT BEFORE JUNE 30, WHICH WOULD HAVE A SEVERE, DEPRESSING EFFECT ON TIN PRICES. HE THOUGHT THE FRENCH, ENGLAND, AND PERHAPS JAPAN HAD RAISED THIS REQUIREMENT. I POINTED OUT THE INFORMATION CONTAINED IN PARA 5 (D) OF LONDON'S 6372 AND ALSO THAT ALTHOUGH I WAS NOT AN EXPERT ON THE TIN AGREEMENT, THE ARTICLE IN THE DRAFT 5TH AGREEMENT ON BUFFER STOCKS (ARTICLE 21) APPEARED TO SET 7,500 MT AS THE MINIMUM, NOT THE MAXIMUM AMOUNT REQUIRED AT THE BEGINNING OF THE 5TH IGA. THE MINISTER ASKED IF I COULD GUARANTEE THAT EXCESS BUFFER STOCK TIN WOULD NOT BE DUMPED ON THE MARKET AND I REPLIED, OF COURSE, THAT I COULD NOT, AND WE BOTH AGREED THAT THIS WOULD BE A PRINCIPAL POINT CLARIFICATION WHEN ITC PRESIDENT ALLEN ARRIVES.

(B) TINE PRICES. THE MINISTER SAID THAT AT THE RECENT ITC MEETING THE CONSUMER MEMBERS HAD SUCCEEDED IN RAISING THE MINIMUM PRICE LEVEL BUT NOT THE MAXIMUM PRICE FOR BUFFER STOCK ACTIVITIES, THUS NARROWING THE SPREAD AND ADVERSELY AFFECTING THE MARKET PRICE OF TINE.

(C) VOTING. THE MINISTER EXPRESSED THE GOB'S UNHAPPINESS WITH THE WEIGHT OF VOTES IN THE NEW AGREEMENT WHICH HE SAID GIVES MUCH MORE POWER TO THE CONSUMERS THAN UNDER THE FOURTH ITA. HE SAID BOLIVIA WOULD LIKE A MORE FLEXIBLE VOTING ARRANGEMENT, BUT HE DID NOT SPECIFY WHAT THAT MIGHT BE.

4. ZELAYA STRESSED BOLIVIA'S SERIOUS CONCERN WITH WORLD TIN PRICES, BOTH BECAUSE OF THE GOVERNMENT'S HEAVY BUDGETARY DEPENDENCE ON MINERALS REVENUES (HE SAID 70 PERCENT OF THE BUDGET COMES FROM MINERALS TAXES) AS WELL AS THE HIGH COST OF BOLIVIAN TIN PRODUCTION IN ECONOMIC AND SOCIAL TERMS. HE CITED THE GOB'S CONSTANT LABOR PROBLEMS IN THE MINING SECTOR BECAUSE OF LOW LIVING, HEALTH AND SAFETY CONDITIONS. CONSEQUENTLY, HE

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SAID, BOLIVIA COULD NOT SIGN AN AGREEMENT ADVERSE TO ITS INTEREST IN STABLE AND REASONABLE PRICES.

5. THE MINISTER ALSO RAISED THE TRADITIONAL BOLIVIAN CONCERN WITH GSA TIN SALES AND THE FACT THAT THIS ASPECT OF THE MARKET WOULD NOT BE COVERED UNDER THE 5TH ITA, ALTHOUGH HE DID NOT SEEM TO BE LINKING THIS TO BOLIVIA'S BASIC REASONS FOR ANNOUNCING THAT IT WOULD NOT SIGN THE NEW AGREEMENT. I POINTED OUT

THAT U.S. ENTRY INTO THE TIN AGREEMENT WAS A MOMENTOUS EVENT SIGNIFYING A MAJOR CHANGE IN U.S. POLICY TOWARDS COMMODITY AGREEMENTS AND THAT IT WAS NOT AN EASY STEP FOR THE U.S. TO TAKE. IN OUR CONSULTATIONS WITH CONGRESS ON THIS, THE GSA MATTER WAS KEPT COMPLETELY APART. I STRESSED, HOWEVER, THAT CONSULTATIONS ON GSA SALES WOULD, OF COURSE, CONTINUE; THAT THE MARKETING PROCEDURE ON SALES WAS DESIGNED TO AVOID MARKET DISRUPTION; AND THAT GSA'S CURRENT SALES AUTHORIZATION IS AT A VERY LOW LEVEL.

6. ZELAYA EXPRESSED A DEGREE OF OPTIMISM THAT BOLIVIA'S CONCERNS WITH THE 5TH ITA COULD BE WORKED OUT DURING THE VISIT OF ITC PRESIDENT ALLEN, WHOM HE SAID WOULD ARRIVE THE EVENING OF APRIL 29 AND WOULD MEET WITH PRESIDENT BANZER ABOUT NOON, APRIL 30. HOWEVER, ZELAYA GAVE NO HINT OF THE POSSIBILITY THAT BOLIVIA WOULD REVERSE ITS POSITION AND SIGN THE NEW ITA BY APRIL 30.

7. COMMENT: ZELAYA DID NOT MENTION AN ADDITIONAL FACTOR WHICH WE HAVE HEARD FROM VARIOUS MINING SECTOR SOURCES, WHICH IS BOLIVIA'S CONCERN WITH ALLEN'S PRESIDENCY OF THE ITC AND ITS INTEREST IN HAVING A BOLIVIAN AS A SENIOR EXECUTIVE IN THE BUFFER STOCK MANAGEMENT. PRESIDENT ALLEN LAST YEAR FIRED THE DIRECTOR AND DEPUTY DIRECTOR OF THE BUFFER STOCK (THE LATTER A BOLIVIAN) IN WHAT MANY BOLIVIANS BELIEVE WAS AN UNJUSTIFIED MOVE. WE ALSO UNDERSTAND FROM A FOREIGN MINISTRY SOURCE THAT BOLIVIA'S LONDON REPRESENTATIVE TO THE ITC RECENTLY TELEGRAPHED A STRONG RECOMMENDATION AGAINST BOLIVIA'S SIGNING THE NEW ITA. I WILL REPORT THE RESULTS OF PRESIDENT ALLEN'S VISIT AS SOON AS AVAILABLE.
STEDMAN

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